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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 003712

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E.O. 12958: DECL: 09/25/2028

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SUBJECT: ACTING EAP DAS JOHN NORRIS DISCUSSES POST-OLYMPICS
CHINA WITH BEIJING SCHOLARS

Classified By: Political Minister Counselor Aubrey Carlson. Reasons 1.
4 (b/d).

¶1. (C) SUMMARY: China in the post-Olympics period will focus on domestic issues and maintain a low-key foreign policy, according to three Chinese scholars who met with visiting Acting EAP DAS John Norris September 20. Although they regard the Olympics as a success, the scholars pointed out that some Chinese are critical of the Government for spending too much money on the Olympics. Economic stability and food safety will top the Government's agenda in the coming months.

The Russia-Georgia conflict and growing U.S.-Russian tensions make it more difficult to resolve the Iran issue. The U.S.-China bilateral relationship is "strong and stable." END SUMMARY.

¶2. (C) In honor of visiting Acting EAP DAS John Norris, PolMinCouns hosted three Beijing scholars for lunch and a discussion of the Olympics and China's domestic and foreign policy in the post-Olympics era on September 20. The Chinese guests were Tao Wenzhao, Deputy Director of the Chinese Academy of Social Sciences (CASS) Institute of American Studies; Li Guofu, Director of the Center of Middle East Studies at the MFA-affiliated China Institute for International Studies (CIIS); and Zhu Feng, Deputy Director of the Peking University Center for International and Strategic Studies.

The Olympics

¶3. (C) The Chinese scholars were generally positive in their assessments of the Beijing Olympics but expressed concern about the amount of government funds spent on the Olympics. CASS' Tao said that Beijing residents are quite satisfied with the Olympics, largely because of the expansion of the city's subway system and other improvements in public transportation. CIIS' Li was less sanguine, arguing that many Chinese believe the Government spent too much money on the Olympics, particularly in view of the massive amounts of funding needed for China's earthquake-stricken areas. Li argued that the Olympics have led a growing number of Chinese to think more critically about government spending.

Post-Olympics Focus on Domestic Issues

¶4. (C) The three scholars agreed that the Chinese Government will focus on domestic issues in the coming months. Peking University's Zhu argued that food safety and the economy are at the top of the Government's agenda. Citing growing tensions resulting from the tainted milk scandal and the September 8 Shanxi mining disaster that killed more than 260 people, Zhu said that the post-Olympics period will be "a hard time" and "a big test" for the Government. The Government will be more inward-looking in the coming months,

focused on keeping the economy stable and preventing a food safety crisis, Zhu added.

¶15. (C) CASS' Tao listed inflation and the declining stock market as two main concerns of the Government. He stressed that a "serious question" for the Government is how to help retirees who invested their savings in the stock market and then lost much of their investment after the stock market plummeted by two-thirds in the last year. Citing the oft-repeated government slogan to "put people first," Li emphasized that maintaining economic growth is the "basis of government power and stability."

Russia-Georgia Conflict

¶16. (C) Although the scholars generally agreed that the Russia-Georgia conflict presents a challenge for China's foreign policy, none of them expected to see significant changes in China's foreign policy in the post-Olympics period. CIIS' Li argued that the Olympics "does not mean anything for Chinese foreign policy" and that China will continue its low-key foreign policy characterized by "biding its time and hiding its capabilities," one of the guiding principles of Deng Xiaoping's foreign policy.

¶17. (C) Although Li argued that the prevailing view in China is that Georgia started the conflict, Peking University's Zhu acknowledged that Chinese academics and policy-makers are divided over the Russia-Georgia conflict and that he believes that Russia may have provoked the conflict. Nevertheless,

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Zhu said that the Russian response is understandable given that NATO's eastward expansion and focus on collective security (as opposed to cooperative security) have made Russia feel alienated and excluded. Arguing that growing U.S.-Russian tensions could harm Chinese interests if China is forced to take sides, Zhu said that China needs the United States and Russia "to work things out." He stressed that China does not want to see an aggressive, provocative Russia.

¶18. (C) CASS' Tao described the conflict as a Russian response to NATO expansion, Kosovo's independence, Georgia's "Rose Revolution" and the U.S.-Poland missile defense agreement, all of which have led to the perception in Russia that its strategic space is being squeezed. Tao argued that Georgia's territorial integrity should be respected and mentioned Chinese fears that South Ossetia and Abkhazia's independence could lead to a "domino effect" and "endless disturbances in international politics."

Iran

¶19. (C) Li and Tao agreed that the Iran issue has become more difficult because of the Russia-Georgia conflict. Li, a Middle East expert who regularly visits Iran, argued that the Russia-Georgia conflict will benefit Iran in the short term because of worsening U.S.-Russian relations. However, he pointed out that, in the long term, Iran is worried about an aggressive Russia that will challenge Iranian influence in the Central Asia and the Caucasus. Li contended that Iran, which believes it has a strong negotiating position given its influence in Iraq, Syria and Afghanistan, will attempt to bide its time until a new U.S. president comes to power. Zhu said that China believes an Iran with nuclear weapons would have a "disastrous impact" and hopes to see direct engagement between the United States and Iran.

U.S.-China Relations

¶110. (C) Tao said that President Bush is quite popular in China, partly because of his decision to attend the opening ceremony of the Beijing Olympics. China was careful not to

allow the Chinese media to report on President Bush's criticism of China's human rights record in his August 7 speech in Bangkok, Tao noted. Zhu characterized the U.S.-China relationship as "strong and stable" and credited President Bush for his handling of the bilateral relationship. Zhu mentioned that Peking University's Center for International and Strategic Studies has called for academic papers on U.S.-China relations to be published in a book commemorating the 30th anniversary of the establishment of diplomatic relations.

RANDT